April, 1961

Education loans
—page 1

Counseling
—page 10

THE

Credit Union Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

ON THE COVER

More and more young people are going to college, and more and more attention is focused on financing education. See story, page 1.

The Credit Union *Bridge*

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Vol. 26 **No. 4**

April, 1961

CONTENTS

COMING SOON

Collection agencies

Starting an auto insurance business

LOANS FOR EDUCATION

Some credit unions think college students deserve special treatment and have worked out plans for them; but it's all pretty new and hard to evaluate.

CREDIT unions everywhere seem to be interested in education loan plans, but few have done much more than think about them.

Most of the credit unions that have started such plans like them and think they are valuable not only to their members but to the credit union movement in general. Many in the movement are aware of the fact that banks, insurance companies and major finance companies have entered the education loan field with special plans.

In at least one case, a bank began offering its education loan plan after a credit union in the same town started one. Generally speaking, these loan plans are a new idea, but one Texas credit union has made special-rate education loans for twenty years with results that have been gratifying to all concerned.

This doesn't mean that these plans always work out. A student loan plan that was started two years ago by the credit union at Manhattan College, New York, was dropped recently in favor of a plan offered by a finance company.

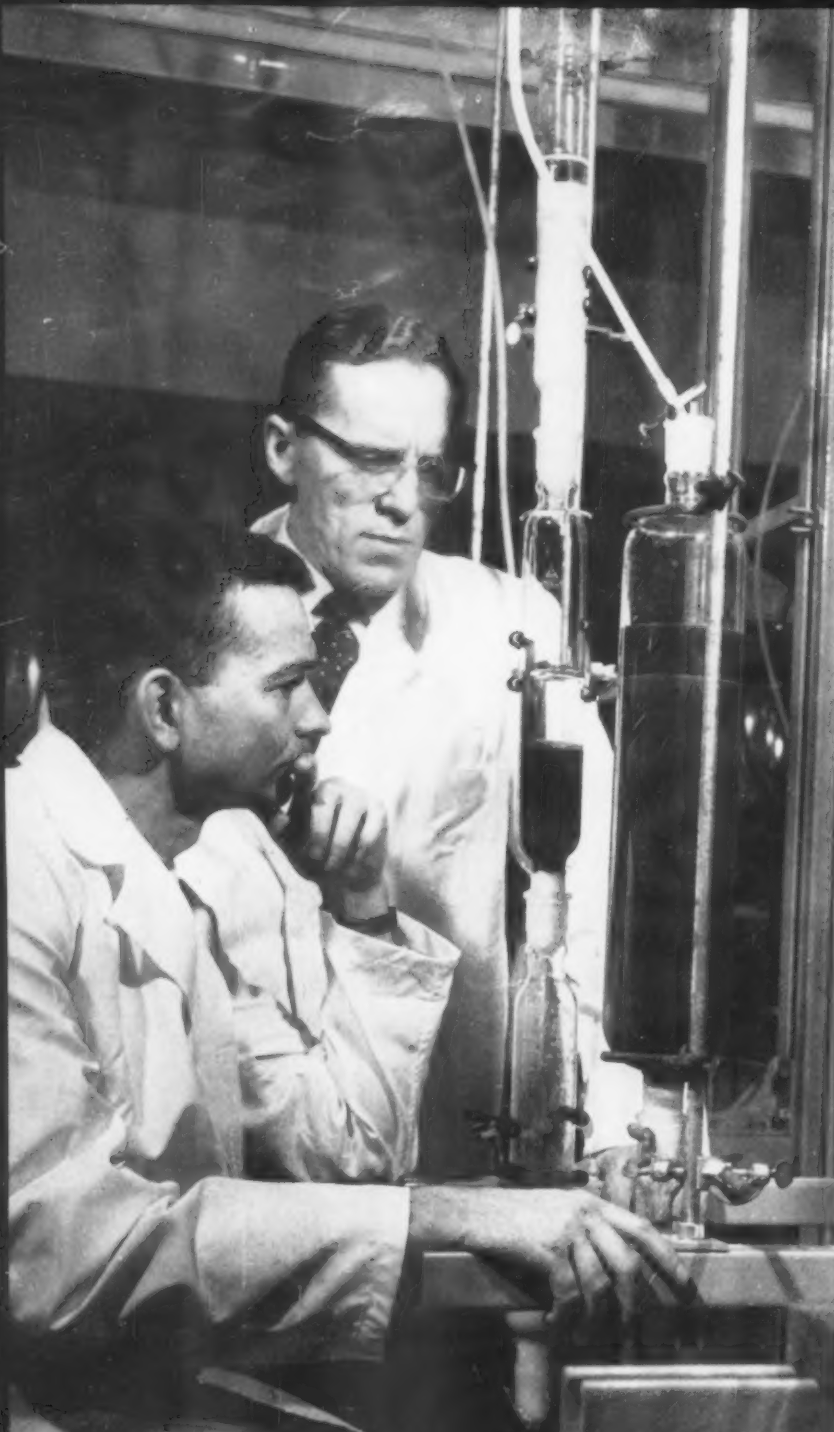
There are several kinds of education loan plans being offered by credit unions. Some offer reduced interest

rates to borrowers while they are in school. In some cases payments on the loan principal are deferred until graduation or after. And some plans differ from standard credit union loans only in that they are made for longer periods than the credit union normally makes.

There are large areas of the country in which no credit union has any special education loan program in operation, but where many are interested in such loans. Some credit unions have made special studies of loan plans, or are now making them.

Most of those who are trying special-rate agree they are not income-producers, but that that is not their function. They agree they can do a lot of good for young people who might otherwise not be able to afford schooling, and that the plans are an excellent source of good will and good public relations for the credit union. Accepting the fact that there is a generally approved policy against cutting interest, they argue that education loans deserve special treatment.

To get an idea of the kinds of plans that are being tried, a Bridge reporter talked with officers of six credit unions in Texas, New York, Michigan, Oregon, and Tennessee. Four have



Some credit unions are using education loan plans to send to college young people who otherwise probably would never have the opportunity.

Both graduate students and undergraduates benefit from the education plans offered by credit unions. High school and trade school students, too, use some plans.

plans in operation; one will start one next fall; and one had a plan that was recently dropped.

In Baytown, Texas, the Humble Employees-Baytown Federal Credit Union put an education loan plan into effect in October, 1960, and has made about a dozen loans so far. The board of directors feels it is too early to assess the overall success of the plan, but it also believes it is proving to be of real value in attracting attention to the credit union and its services to the community.

Not to make money

Wilfred S. MacKinnon, assistant treasurer, says the board does not expect to make money with the plan, but feels that if it breaks even financially it will consider the project a success because it provides a needed service to students while calling favorable attention to the credit union.

Under the Humble plan, loans are made available to students with the co-signature of parent or guardian, with the maximum initial loan set at $600. The loans are scheduled for repayment in monthly installments of at least $50, beginning immediately. Additional loans may be made, but not to exceed cash disbursement of $600 per semester, for total disbursement of $4,800. The monthly payments always must be sufficient to repay the principal within five years.

The educational loan committee recommended an interest rate of ½ of 1 percent on the unpaid balance until the time of the last loan application before graduation, when the loan will be written for five years at this credit union's regular rate of 5/6 of 1 percent. If a student leaves college before graduation, the interest rate on the balance changes from ½ to 5/6 of 1 percent at the time he leaves; this is stipulated in the note.

The committee says it considered all angles of educational loans before it came up with the plan, including the legal limitations on credit union loans regarding long-term, low-interest loans and the fact that these are signature, high-risk loans. The committee considered the credit union's low-delinquency rate, the fact that employees have long average service records, and that almost all employees have built considerable savings equity in thrift funds when it approved the new loan plan.

The board believes that if a credit union does not serve its members as well as it can, including providing aid to members who are in need of help, it is not fulfilling its obligation. On that basis it decided to start the education loan program. Directors feel the plan, offering money at lower interest to students while they are in school and standard interest rates after graduation, gives students a special break when they need it most. These are insured loans, and the student and parent have a choice of which will be insured.

A pioneer in the education loan field is the Hereford, Texas, Federal Credit Union, a community credit union serving a rapidly-growing prosperous town of 8,500 in an agricultural area of the state.

For twenty years

The Hereford credit union has been making such loans for at least twenty years, according to Mrs. Dyalthia Benson, treasurer, and though she doesn't know offhand how many have been made, she estimates it has been thousands.

This education loan plan is not intended primarily for college study. it has a limit of $300 a year, and the interest rate is 3 percent per annum. It is used both by young people and

(*Continued on page 22*)

More and more young people are going to college every year, and the cost of education is increasing rapidly. Banks, insurance companies, finance companies — and some credit unions — are providing special loan plans as a solution to the cost of education.

Buying a new car has become a battle of wits, and the consumers can be as devious as the dealers, complains a veteran salesman of new cars. But he recommends careful shopping.

GAMESMANSHIP IN THE

Each year in America six million people, more or less, play one of the most popular games in the country. It is called Buying a New Car, or sometimes Dealer's Choice.

The rules of the game are rigid and stylized, and most of the play takes place in two locations. One half is played in a big new car salesroom, and the other half in a small, cubicle-like office, facing a salesman across an ashtray.

The players are the customer and the salesman, and it is one of the few games in which both sides can come out feeling as if they were ahead, though this doesn't happen every time.

How is the game played? And why has buying a new automobile become a sports contest? The Bridge asked a new car salesman in a large midwestern city these questions. Here are his answers, in his own words:

NOW we're talking about new cars only, right? Okay, because the used car business is something else again—like another world.

Well, when you go into a new car showroom you are going to play a little game. By law there is a "suggested list price" sticker on the window of a new car, and that might seem to establish the price of the car. But all the list price is, is the basis for an argument. Nobody takes a look at the list price and says "OK, I'll take it." Everybody knows he can get the car for less than that. What the customer doesn't know is the lowest price he can get it for. The salesman does, and so we start the game.

The first thing I do is tell the customer my name, and try to get his. Then I ask him what he's looking for; and when he tells me, I do everything I can to get him into a demonstrator so he can drive it, feel it, and smell it. If he's really hot for a new car this

AUTO MARKET

is important. If he really wants a new car of the make I'm selling, he'll like the way it feels and handles once you get him into it. I try to avoid the "how much?" question for a while.

Then I have to try to get him interested in a car that's in stock, if possible. My boss is a big dealer, so a lot of the time we'll have pretty much what the guy wants right on the lot. When I do get around to price, I quote him a figure. Now where I work I know how much over cost we're supposed to get. Salesmen for some companies don't know this, but I do. I'm supposed to get $200 over cost for a car. A lot of people don't believe this; they have the idea the dealer gets a great big markup. He doesn't. The cost of cars to him is high, and the competition is murder. There may be a dozen or twenty other Ajax dealers in this town, and they're all trying to sell cars.

Now I work on a straight commission, and if I get $200 over cost for a car, my commission is $50. Different dealers work it different ways, but in my case my commission would be about fifty bucks. Sometimes I sell four or five cars a day; sometimes I don't sell any for a week, or one in two weeks, or something like that. But when I don't sell a car I don't get paid. So I want to sell this guy a car. If I can get more than $200 over cost, fine. The house makes out better on the deal and the boss smiles. But sometimes we have to take less than $200.

"Funny" color

Like if a car has been on the back lot for several months and nobody wants it because it's an unpopular model and a funny-looking brown. If I can get a guy to give me $150 over cost for it, or maybe $100—in this case the boss may okay it. Of course I don't make much commission on this kind of a deal, but I've *got* to make sales. Maybe the average around here comes out to be $150 over cost, or something like that.

One rule in this business is never let a customer out with a dealing figure. For instance, I have given this customer my pitch, and with his trade-in and everything I tell him he can buy the car for $2,250. This guy wants a car, and he's going to buy one; if I'm a good salesman I can tell this. But I can also tell he's not going to buy a car today, right now. He's going to think it over, do a little shopping around.

I don't let him out with the figure of $2,250 in his mind because I know he can buy the car anywhere in town for that price. So as he's leaving—this is a last resort, we call it "highballing"—I give him the impression that maybe I can shave the price a little. Now *I* don't name a figure, be-

(*Continued on page* 28)

HOW NORTH DAKOTA

John Hillerson, managing director of the North Dakota League, is happy with the league's examination system.

Don Hofland, Hillerson's assistant, agrees that the examination program is working well and that both credit unions and the league itself benefit from it.

Third man on North Dakota's examination "team" is Dick Wilson, administrative assistant, who like the others doesn't mind the extra work.

LEAGUE examines credit unions

After a year's experience, this League staff finds examining state-chartered credit unions adds little to their burdens, accomplishes many good things.

STATE-chartered credit unions in North Dakota now have by law three choices as to who shall examine their books. They may choose the state, a certified public accountant, or the League.

The North Dakota League is the only league in the United States that has set up its own examination system.

A bill authorizing this program passed the North Dakota Legislature in the 1959 session, and took effect July 1 that year. As of February 1961, 55 credit unions in the state had asked for League audits; 40 have stayed with the state examiner; and none has hired a CPA for the job. (In addition, there are 30 federal credit unions in the state, to which the new statute does not apply.)

They're enthusiastic

Top North Dakota league officials are enthusiastic about the examination plan, even though it has meant extra work for the managing director, assistant managing director, and administrative assistant. Among the three of them, they have conducted all the examinations so far, a total of about 60.

Managing director John Hillerson, assistant managing director Donald Hofland, and administrative assistant Dick Wilson are in complete agreement that the system is turning out well and is proving to be one of the most valuable services the league offers—perhaps *the* most valuable. Here are brief comments from each of the three men who are conducting the examinations:

Hillerson: "Probably the most important result of this program has been a change in the feeling toward examinations. Many resented the state examiners' attitude and criticism. Many felt they had been 'jumped on,' and were discouraged. Now they see the examination as a league service and a real help in the day-to-day operation of the credit union."

Hofland: "Credit unions using this new service don't feel we're in there to find something wrong, but to help them run their organizations and offer suggestions on improvements. And we're learning more about how our credit unions are operating than we ever knew before."

Wilson: "We haven't found many serious troubles in the credit unions we've examined, but we have found plenty of room for improvement. We make such suggestions, and the credit union officers are glad to get them."

Enlarging a little on his statement about improved attitudes toward examinations, Hillerson says, "We had had many complaints from credit unions about state examiners' criticism of how people were keeping books and running the organization. I don't mean dishonesty, I just mean bookkeeping methods and so forth. Now these people are volunteers, and the state was treating them the same as it would paid officials. You can't do that; these credit union folks were becoming discouraged because they felt they were doing the best they could and along comes a state examiner who told them they were doing a poor job.

"The League was spending too much time going around to credit unions after the examiner had dropped in, trying to convince them that they were doing fine and trying to keep up their interest and enthusiasm in the movement. We were spending so much time doing this that we had to neglect information, education, leadership training, and other important League services.

Meetings scheduled

"Now we try to meet with every credit union board after we've made the examination. We talk things over with them, tell them where they should improve their methods, and in general discuss with them the good and bad things we have come across during the examination. And these people appreciate these post-examination sessions; they're really grateful for them. In this way we combine the examination with an opportunity for learning more about individual credit unions. We are learning a lot this way, and we are in a position to give these credit unions more and better service than we might be able to do in any other way."

The North Dakota League examina-

(*Continued on page 20*)

Hazen Argue, national leader of the Canadian Socialist party, sponsors a Canadian "truth in lending" bill.

INTEREST RATES IN CANADA

Members of Parliament hold lively discussion, prodded by CCF leader, and credit unions are held up as model.

THE subject of interest rates has not had much publicity in Canada. Most discussions have been contained either in academic papers that receive little public attention, or in lurid daily newspaper headlines that seldom contain any depth of analysis.

But an important exception to this pattern occurred in the Canadian House of Commons recently, when a full day's debate was devoted to airing some of the malpractices used by consumer lending agencies. The occasion was a private bill (Bill No. C-3), introduced by Hazen Argue, the national leader of the CCF, Canada's socialist party. Argue is a wheat farmer from Kayville, Saskatchewan, and has sat in the Canadian parliament since 1945, when at twenty-four he became the youngest MP. in Canadian history. He leads a contingent of only eight members of parliament in the socialist ranks, out of 265 members, but his is a vocal and active group, often first to propose measures later adopted by the more traditional parties.

The Bill that Argue introduced last January 19 was an amendment to the Small Loans Act and the Bank Act calling for a maximum annual limit of 12 percent in the interest rate on a small loans in Canada. Argue has introduced similar bills every year since 1954, and they have always been "talked out"—the Canadian version of filibustered. Under the regulations of the Canadian House of Commons, private (non-government) members like Argue can introduce bills within a limited time every week, and if any such bill does not come to a vote, it goes to the bottom of the list of all private bills being suggested that session. Because the government wants to keep the legislative momentum on its own side of the House, even worthy bills proposed by non-government members are usually debated redundantly until the allotted time has expired.

All parties approve

The significant thing about this year's debate was that members of every Canadian political party, including four MP's of the governing Progressive Conservative party, participated in the debate—and all of them heartily approved the principle of Hazen Argue's bill. Many Ottawa observers have interpreted this as a sign that the government will, in the near future, introduce legislation of its own resembling Argue's proposals.

In introducing his ideas, Argue referred to an Act of the Canadian parliament, passed in 1956, which placed new limits on all loans under $1,500. Under this legislation, the cost of the loan was set at no more than 2 percent per month on any part of the principal balance not exceeding $300; 1 percent per month from $300-$1,000; and ½ percent on any remainder of the unpaid principal balance exceeding $1,000.

Argue pointed out that these limitations have meant that the small loans companies most likely to take unfair advantage of their customers have switched a lot of their business to granting loans *exceeding* $1,500 to avoid controls. The small loans business in Canada during 1956, when the law was enacted, amounted to $343 millions; in 1960 the total loans outstanding amounted to $290 millions. Since 1957 there has been a sharp increase in consumer credit outstanding in Canada; at September, 1960, the total was $2,253 millions.

The new Bill would take in auto financing companies, which Argue says now charge interest rates of 16 percent to 19 percent. Also he has classed installment credit provided by

(*Continued on page* 19)

in the NEWS

The lawsuit of the truckers against the railroads, on which a similar suit by co-ops and credit unions against the National Tax Equality Association was based, has been defeated in the U. S. Supreme Court. Lower courts had ruled that the deceptive propaganda methods used by the railroads against the truckers constituted a violation of the Sherman Act, but the Supreme Court reversed lower court rulings. The Supreme Court agreed that the methods used by the railroads were unethical, but said that since the goals of the railroad propaganda were primarily political and legislative, they did not violate the antitrust laws. This apparently means that any business group is free to indulge in misleading propaganda in order to hurt competitors through adverse legislation, at least as far as the antitrust laws are concerned. As things look now, the NTEA and similar groups may now renew the old slanderous methods which they have used against mutual and co-op organizations in the past.

Articles and bylaws for an **International Credit Union Stabilization Program** have been mailed to all League managing directors. They carry out the recommendations of the CUNA national board, as voted at the annual meeting last May. The program as outlined in the bylaws would be voluntary, for leagues that already have their own stabilization programs and wish to join in a centralized inter-lending reserve. . . . Meanwhile, at its annual meeting last month the Ontario Credit Union League voted to set up its own stabilization program.

Harold A. Iversen, veteran credit union leader from Connecticut, died last month of a heart attack, after an earlier attack had incapacitated him during the previous summer. Iversen was secretary-treasurer and general manager of the largest federal-chartered credit union in the United States, East Hartford Aircraft. He was a CUNA national director for years and a past president of the **Connecticut Credit Union League.** Robust in appearance, calm and capable, Iverson was a pioneer in credit union management techniques.

Abraham A. Dash, attorney with the National Labor Relations Board, joins CUNA as director of the **Washington office**. . . . Jack Kent has joined the CUNA world extension department as a fieldman; he will be stationed in the **Philippines**. . . . Rondall Thornton has been named education director for the **Kentucky** League, and Travis Carnes has been appointed field representative. . . . Gilbert Trujillo has been appointed low income specialist with the Cuna **organization department**. . . .

An adverse tax measure affecting credit unions has been enacted in Montana; it taxes state-chartered credit unions $4\frac{1}{2}$ percent of net income before setting aside required reserves and dividends . . . Five **anti-credit union bills** introduced recently in the North Dakota legislature have died for lack of support; a league-sponsored bill has passed both houses, although without one provision liberalizing loan limits. . . .

Consumer credit totals dropped in the United States during January for the first time since September 1958. Auto loans and household goods balances were both off, but personal loans expanded slightly. . . .

The **West Virginia Credit Union League** is holding a credit union leadership training course at West Virginia State College . . . The **Idaho League** is setting an organization goal of 25 new credit unions this year. . . . Saskatchewan credit unions are handling provincial savings bonds. . . A bill to modernize the Indiana Credit Union Act has been signed by the Governor. . . .

A so-called share insurance bill has been passed in Massachusetts by the lower house, opposed by 244 credit unions and supported by only 31, plus the state banking department. . . . State-chartered credit unions in **Texas** are holding a special meeting to discuss legislation. . . .

The first credit union has been organized in **Western Australia**. . . . The Peruvian Senate is considering a credit union bill. . . . The CUNA world extension department is looking for extra copies of credit union books, especially "Credit for the Millions", "Poor Man's Prayer" and "Crusade," for which there have been many requests from overseas. All three are out of print. . . . The United Church of Christ of the **Philippines** is distributing credit union literature. There were 144 credit unions organized in the Philippines during 1960. . . .

Three regional public relations conferences will be held by CUNA in joint sponsorship with Leagues this year—in **Salt Lake City** June 8-9, in **St. Louis** June 15-16; in **Hightstown,** N. J., September 7-8. . . . The **Michigan League** has produced a 300-page handbook for full-time credit union managers, called "Guidelines for Credit Union Management."

The American Bar Association has set up a special committee to study the rising tide of personal bankruptcy; one question they will investigate is why rates are so much higher in some parts of the country than in others. . . .

Ann Doyle is a firm believer in the importance of counseling as a credit union function and service.

COUNSELING makes debt consolidation work better

Few of the members whose debts are consolidated by this credit union go out and borrow themselves into trouble again. The reason why they don't is effective counseling.

"MEMBERS need to understand why they are in financial trouble," says personable Ann Doyle, treasurer of Hilton Davis Employees Federal Credit Union in Cincinnati, Ohio. "We think that a loan to a member who lives beyond his income may be harmful and unwise unless we take time to show him what he can do to balance his budget. And we don't stop there. We try to motivate each member—whether his financial problem is self-inflicted or not his fault—to make it his personal ambition to start a systematic savings program and control his urge to spend."

The Hilton Davis credit union was organized in 1940. It serves a group of chemical workers. At the beginning of 1961, the credit union's 559 members owned nearly a quarter million dollars in shares and had 348 loans outstanding for $211,737.25. Total delinquencies amounted to $1,458.58.

The officers of the Hilton Davis credit union take special pride in their handling of difficult problem cases. How would you have helped in the following six cases?

• **Case A.** "A" is a 25-year-old chemical worker with an excellent three-year work record. He returned to Hilton Davis after a two-year military leave and got married immediately after reporting for work. At the same time, he also purchased a car and some household furniture.

Two months later "A" came to the credit union to borrow $100, because his wife had lost her job and he had fallen behind with installment payments for these purchases:

Reason for debt	Amount	Monthly Payment
1957 Mercury	$1,446.48	$ 60
Miscellaneous furniture	692.00	40
Father—personal debt for car downpayment	450.00	50
Two mail order houses	70.00	15
Rent		65
Total	$2,658.48	$230

"A's" net monthly earnings were only $304. After making monthly payments of $230, the couple had a total of $74 for food, clothing, utilities, gasoline, medical expenses and recreation.

The credit union invited the member and his wife to come in for a counseling session. During this interview, treasurer Doyle pointed out that the requested $100 loan would be at best a stop-gap measure.

"The couple responded readily to my questions," Mrs. Doyle recalls. "After a few minutes' conversation they volunteered the thought that they had overspent on the car. But they also said that they needed some kind of a car for transportation to work."

Inquiry at the employer's personnel office showed that "A" had an excellent work and attendance record; that he had written to the company while in military service, expressing his interest in returning after his discharge; and that his foreman had given him highest marks in character rating.

On the basis of the member's interview response and work record, Hilton Davis' credit committee approved a consolidation loan for $2,658.48 and accepted title to the car, a chattel mortgage on the furniture, and the joint signatures of the member and his wife as security. A condition of the loan was that "A" save $2 weekly.

Hilton Davis set up "A's" repay-

Louis Beierle, seated, is president of the Cincinnati credit union, and Eugene V. Malone is a credit committee member.

ments on a three-year schedule. Monthly payments of $76.48 for interest and principal, plus $8.04 for savings, are arranged through payroll deduction.

"A" is meeting his payments punctually, as scheduled, a credit union officer reports. He now has $80.48 of additional monthly take-home pay and $8.04 savings. Since receiving his loan, he has made no additional purchases. Nor has he otherwise added to his total obligations.

• **Case B.** "B" is a 36-year-old skilled worker with two sub-teen children and a fine work record. During his 14 years with Hilton Davis he saved regularly and borrowed several times. Each of these loans was for small amounts. His credit union payment record was very good.

"B's" finances were in good order until one of his children was struck by a car and injured seriously. The youngster remained bedridden for about a year and was unable to attend school.

Five months after the accident, "B" came to the credit union and reported that he was in danger of losing his home because he had been unable to meet his mortgage payments for four months. A series of medical payments and other special expenses for the injured child had completely exhausted his personal resources. His weekly net earnings were approximately $86.

These were "B's" total obligations:

Mortgage payments overdue	$410
Finance company (personal loan to meet medical bills)	118
Fuel oil	40
X-rays	25
House insurance	42
Tires	68
Medical bills	47
	$750

"It's the little payments which bother me," "B" told treasurer Doyle. "I never realized that small bills could bring so much trouble. And I did not know until a few minutes ago that the credit union makes loans for more than $150. Also, I thought that you had done enough by helping me out several times. But now I wonder whether you can help me to lump all of my bills into one basket so that I'll owe only you and can keep my head above water with reasonable monthly payments."

Here is what the credit

Electrician Malone is deeply convinced of the importance of counseling to Hilton Davis members.

union did: It verified the status of the member's mortgage, obtained a pay-off figure from the finance company and approved a signature loan for $750. "B's" present monthly payments are $55. This includes principal, interest and $2 savings.

Recalls credit committeeman Eugene V. Malone, "This member was deeply troubled with the possibility of garnishment of his wages and the danger of losing his home. Today he feels and acts like a new man. Much of this change reflects the satisfaction and moral boost which "B" gained from finding out that he was able to borrow on his signature without collateral. "B" is now able to smile in spite of the enormous problems which he still faces before his child will be able to return to a normal life. And he is making many friends for the credit union by telling his fellow workers how much he appreciates the help he received."

• **Case C.** This member is a 37-year-old chemical worker with a wife and three grade school children. He was employed by the sponsor a little more than two years ago and immediately joined the credit union to start a savings program.

Within two months he saved some $20. Then he mentioned to the treasurer that he had accumulated a number of debts during seven months of unemployment. "I am trying to keep these obligations up-to-date with monthly payments of $107," "C" reported. "All that I need right now is a small loan to tide me over the next payment."

Here is what he owed:

Dept. store charge acct. (bed clothes)	$ 80.50
Dept. store charge acct. (school clothes)	78.53
Dept. store charge acct. (tires)	21.18
Sears, Roebuck (lumber, clothing)	94.53
Bank personal loan (illness, loss of employment)	300.00
Washing machine	125.00
Total	$699.74

" 'C' had never worked at a plant with a credit union," recalls Mrs. Doyle. "That's why he did not know that we are interested in helping our members instead of merely enabling them to keep on teetering at the brink of garnishment."

The credit union promptly granted him a loan, which enabled him to

(*Continued on page* 24)

FROM THE MANAGING DIRECTOR:

WHAT IS A CREDIT UNION?

If someone who didn't know about credit unions dropped into your credit union office and looked around—at the bulletin boards, the literature racks, and the place in general—would he get a correct idea of the principal services of the credit union? What about the posters—what about the give-away leaflets that are available; would they tell at first glance that the credit union is encouraging thrift on the part of its members and giving security to individuals' savings, and would they tell of the availability of low-cost loans?

It is easy for us to not see the things that are closest to us—and to overlook the fact that persons coming in for the first time see things about our credit union offices that we, ourselves, have become blinded to. It wouldn't be a bad idea to have every member of the Board of Directors take an objective look at the credit union office every few weeks to see to it that the right story is being told by everything in sight!

History

Friedrich Wilhelm Raiffeisen organized the first credit unions (they weren't known as such for another sixty years) in Germany in the middle of the last century. They were community type.

Alphonse Desjardins organized the first credit unions (they were called in French "Peoples' Banks") on the North American continent right at the beginning of the present century. The first one was at Levis, Quebec.

Edward A. Filene saw cooperative credit societies in operation in India and then built the first credit unions in the United States on the basis of common employment, in cooperation in the beginning with Desjardins.

Raiffeisen was a Protestant. Desjardins was a Catholic and Filene was a Jew.

Raiffeisen gave us the community credit unions, Desjardins the associational type credit unions and Filene the common employer credit unions.

These men, with their developing ideas, gave us credit unions as we know them now. They insisted upon two basic services to the credit union members—1) the encouragement of thrift; each member to save consistently in the credit union and 2) the availability of low-cost loans.

Credit unions referred to in the Bible?

My wife caught me on this one the other day when she asked me if I knew the reference to CUNA's Loss Prevention Program in the Bible and I laughed at her. But, she produced it—Proverbs 11:1—"A False Balance Is An Abomination To The Lord . . ."

Banks need the 576

Bank embezzlements have been much in the news lately and the stories have made it clear that at least one of them was not covered by bond on the embezzling employee. The bank liquidated with considerable loss to depositors who had over the FDIC covered $10,000 therein.

CUNA and the Leagues and Employers Insurance Companies of Wausau worked out the 576 bond that can cover a credit union embezzlement up to $2,000,000. Obviously the banks need such a bond. And we've got a few credit unions that don't yet carry the 576; they should for sure.

H. Vance Austin

Furman B. Refo, treasurer of a South Carolina credit union, asks members who are leaving to repay their loans from retirement funds.

BORROWERS WHO LEAVE

Most of them are not skips or dead beats, but collecting from them is a test of the credit union's tact, efficiency and ability to inspire loyalty.

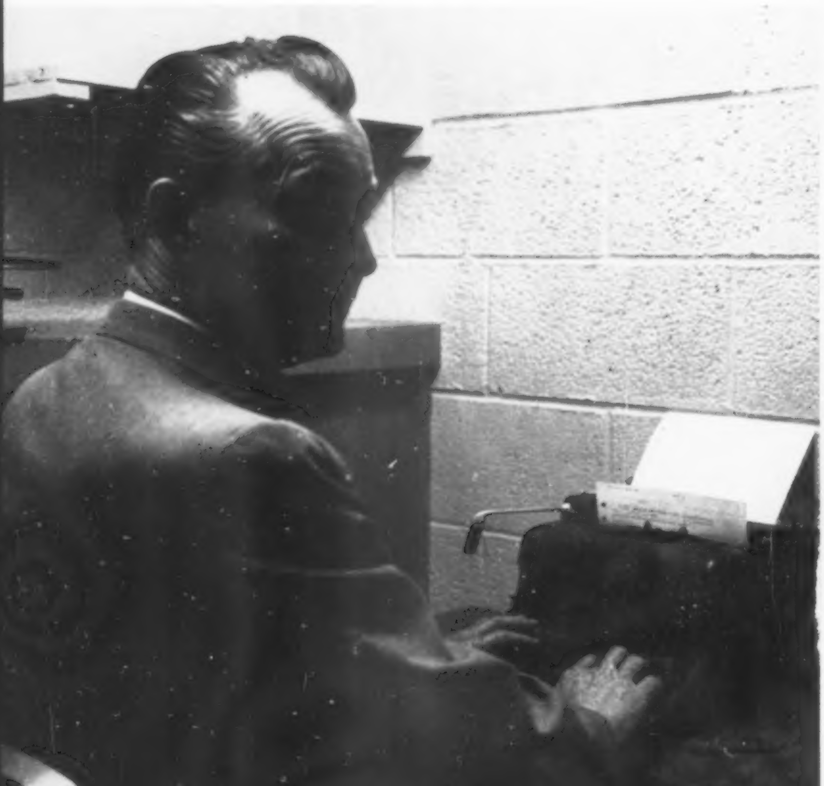
WHEN a borrower leaves the field of membership, the credit union's systematic follow-up is tested. So is its educational program.

That is the conclusion of nine credit unions surveyed recently. The groups' assets vary from $67,000 to $2.4 million; their write-offs from nothing to $58,422; and their age from 4 years to 33 years.

During interviews in February, officers of these nine groups told of 16 educational and collection techniques they use that make it easier to handle loans of members who have left the group.

1. Pointing out to the member at the time of joining that he has a real responsibility to the credit union.
2. Explaining at the time of borrowing that the credit union's loan funds represent the savings of fellow members.
3. Keeping a file record of members with adverse histories.
4. Asking the employer to notify the credit union when a member plans to leave the field of membership.
5. Making immediate contact with any borrower upon learning that he is about to leave.
6. Demonstrating interest in the member's welfare by helping him to find employment and working out mutually satisfactory payment arrangements.
7. Asking for immediate payment of the outstanding balance where practical.
8. Informing the member that his obligation to the credit union is a legal responsibility which the board of directors must enforce.
9. Informing co-makers and requesting their cooperation.
10. Using the employer's good offices; for example, records and other personal information.
11. Maintaining contact with the member after he leaves the field of membership.

Keeping in touch with credit union members who have left their organizations are these four officers. Above is I. D. M. Marquette, treasurer of the Baltimore Post Office Employees Credit Union. At right above is Robert H. Stevenson, treasurer of McLean Employees Credit Union, Winston-Salem. At left below is D. W. Ashe, treasurer, Tri-Cities Newspapers CU, Newport News, Va.; and below, right, is Thomas E. Hoover, manager, WRAMC Credit Union, Washington, D.C.



12. Appointing a delinquent loan committee.

13. Dividing the monthly delinquent loan report to the board of directors into two categories: members behind with their payments but still in the field of membership; and delinquent members who have left the field of membership.

14. Maintaining a special delinquent loan record for each member who has left the field of membership, setting forth in detail the loan's full history.

15. Keeping on a friendly footing with each such member who acknowledges his responsibility to the credit union and demonstrates his willingness to meet it.

16. Showing a firm hand to members who demonstrate that they do not wish to meet their repayment obligation.

Here are some of the details. Each of these credit unions has its own methods, adapted to its own situation.

• **Baltimore Transit Employees' Credit Union** in Baltimore, Maryland (organized: 1935; assets: $1.6 million; write-off: $58,422), receives from the Baltimore Transit Company's personnel department a weekly list of all employees who have left the company. Transit Credit Union waits 30 days before getting in touch with borrowing members on this list. "The reason for this waiting period is that we want to give our members an opportunity to get re-located and contact us on their own initiative," says E. Thomas Slonaker, Transit's secretary-treasurer for eleven years. "This policy helps us maintain good relations with our members."

30-day period

If the member contacts the credit union voluntarily within the first 30 days after leaving the employer, the credit union assists him by agreeing to wait another 30 days before further payments begin.

At the end of the 30-day waiting period, Transit's delinquency program goes into effect. It consists of specific follow-up techniques for each of three types of loan: co-maker loans, automobile loans and unsecured loans.

Co-maker loans. If the member does not contact the credit union during the 30-day waiting period, Transit sends him a form letter, which asks him to get in touch with the credit union in five days to make the necessary arrangements to repay the loan. A separate note goes simultaneously to co-makers, together with carbons of the letter sent to the borrower. The memorandum to the co-makers informs them of the member's delinquency, describes the co-makers' obligation, urges them to use their influence on the borrower, and offers the credit union's cooperation "in every way in the collection of this debt in order to avoid financial loss to yourself."

Co-makers advised

In the event that the borrowing member does not contact Transit within a week after the reminder notice is sent out, the credit union will advise the co-makers and request them to make payroll deduction arrangements for repayment of the balance of the delinquent maker's loan.

Adds treasurer Slonaker, "We assist the co-makers in every way possible to recover the loan balance from the delinquent member who has left the field of membership. This includes making our attorney available on a cost basis and filing a court claim in the credit union's name (while the loan amount has not been fully repaid)."

Automobile loans. Immediately after receipt of the employer's termination notice, Transit sends the member a form letter urging him to keep up his payments regularly because the market value of automobiles steadily drops. Enclosed with the letter is a coupon book, which lists the amounts and due dates of the member's payments.

If the member contacts the credit union office in response to this initial letter, Transit is willing to postpone the due date of the next payment from 45 to 60 days from the date of the last payroll deduction.

Should the member fail to respond to the first letter within two weeks, he will receive a second letter which lists all payments due at that time. With this second letter goes a courteous but firm request to contact Transit within five days to arrange a payment schedule.

If there is no response to this letter, Transit repossesses the car.

On the day of repossession Transit sends the member a statutory notice via both regular and registered mail. This memorandum informs the member of his rights in the repossession action.

"Until several years ago," reports treasurer Slonaker, "we permitted our members to take back repossessed automobiles after paying the delinquent balance. But our experience with this practice has been so unfavorable that we have discontinued it. Today we insist on the exact terms of the contract whenever we are forced to carry out repossession proceedings."

Signature loans. Transit has little difficulty with the collection of unsecured notes of members who leave the field of membership. Says one of its officers, "Usually a simple reminder does it."

• **Columbia Post Office Cooperative Credit Union** in Columbia, South Carolina (organized: 1927; assets: $198,000; write-off: none), is notified by the post office personnel department whenever an employee leaves the field of membership.

At that time the credit union suggests to the member that he repay his loan completely with his retirement fund check.

"This is strictly voluntary on the part of the members," says treasurer Furman B. Refo. "But they usually see that it is their obligation to their fellow members to do this or make a similar arrangement which will assure repayment of the loan."

Two lists kept

Columbia Post Office Credit Union keeps two detailed lists of members who are in arrears 60 days or more. One is for members who are still in the field of membership, the other for those who have left the common bond. Both lists contain the following items of information: member's account number, name, balance due, monthly payment schedule, number of monthly payments in arrear, amount paid

Roanoke General Electric Employees' officers include Charles W. Lawrence, left, treasurer, and Fritz Kehn, loan officer.

Furman Refo finds persistence often pays off.

during last month, and date last payment was made.

At the time a member's name is entered on the delinquent list, he receives a form letter advising him of the delinquent amount due and informing him that if he does not make arrangements with the credit union within 30 days, his delinquency will be referred to the postmaster.

A second letter goes to the member when his delinquency reaches 90 days. It restates his responsibility in stronger language and lists his next payday as the final date on which he can make arrangements with the credit union to avoid a report to the postmaster.

Whenever it becomes necessary to send the 90-day letter, the treasurer tries to make a personal contact with the member. "Where this proves unsuccessful in the case of a delinquent member who has left the field of membership," Furman Refo reports, "we find that notification of the new employer is the most effective collection device."

To locate delinquent members who have left the field of membership, Columbia Post Office contacts the members' friends, acquaintances and associates. "Usually one or more of

Clyde Cook manages the Department of Commerce Credit Union in Washington, D.C.

them can give a suggestion which will help us in locating the member," says one of the group's long-time officers. "Persistent follow-up has helped us to give thirty-three years of service to our membership without writing off a single loan."

Comments John F. Camp, vice-president of Columbia Post Office Co-operative Credit Union and former managing director of the South Carolina Credit Union League: "We use co-makers extensively. But we have always felt that the man who received the loan is the one who should pay it back. In one case we tracked down a delinquent member all the way to Europe and back. Eventually he realized that he had an obligation which he could not escape. And he paid his loan in full."

• **Department of Commerce Credit Union** in Washington, D.C. (organized: 1932; assets: $1.1 million; write-off $47,512), is notified by a key person in the Department's personnel office whenever a member plans to leave the field of membership. As soon as the credit union receives this news, it requests the member to see the manager for an interview.

During this interview the manager obtains all details concerning the member's immediate plans. This includes the member's new address, his new place of employment, and the name of his new superior.

If the loan is secured by co-makers, Commerce Credit Union contacts them and points out their continuing responsibility. "Our co-makers are helping us to maintain close contact with the members who have left our field of membership," reports manager Clyde Cook. "I have always found that if one keeps the co-makers' interests at heart, they will cooperate to the best of their ability and will assist the credit union with information and follow-up of delinquent members who have left our common bond."

Confidence vital

Commerce stresses the importance of helping the member to develop confidence both in himself and in the credit union as soon as possible after he joins. "Showing continuous interest in the member's welfare helps us to prevent delinquency before it happens," says Clyde Cook. "Our objective in working closely with our members *before* they leave the field of membership is to make certain that we do not lose contact with them. It is much more difficult to re-establish contact after it has been broken than to strengthen it while the member is still with us."

Continues Cook, "We find that ninety-nine out of every hundred members are gladly willing to cooperate when they are about to leave the field of membership. All that we do is (1) express our interest in them, (2) show them that we wish to help and (3) demonstrate that we do not intend to make unreasonable demands."

• **McLean Employees' Credit Union** in Winston-Salem, North Carolina (organized: 1953; assets: $1.3 million; write-off: $1,628), keeps a special credit information file on all members whose character or financial habits are questionable. The group obtains the data for this file from a number of sources, including membership application interview, loan interviews, loan applications, the member's remarks concerning domestic difficulties which he may have, outside credit inquiries, driving violations and work irregularities.

McLean's credit committee uses this file as a guide in making loan approvals. Says one McLean credit committee member: "With the accumulated record of the member's history we are able to take preventive action and make fewer mistakes. We try to be as liberal as possible. But when we know that a member's personal work or financial history is doubtful, we feel obligated to contact him for additional information and, if necessary, for additional security. Usually this would be a co-signer. We try to keep our losses down through preventive action and thorough knowledge of our members."

When a member informs the employer's personnel office that he is planning to leave, this information is immedately relayed to the credit union. In the case of personal loans, McLean may invoke a wage assignment which the member signs when taking out the loan. Under this assignment the credit union may collect the member's final paycheck in payment of the outstanding loan balance. "But we only avail ourselves of this right," says Robert H. Stevenson, the group's treasurer and a director of the North Carolina Credit Union League, "if we have reasons to believe that the member will try to avoid meeting his responsibilities to us. Our decision is based on the data collected about him since entering the field of membership. We keep the data on the back of the member's ledger so that they are readily available and always up-to-date."

Personal note

Each borrowing member who leaves the company immediately receives a personal note from treasurer Stevenson, requesting that the member contact the credit union within one week to make arrangements for future payments. If the member does not respond by the date indicated in the letter, he is sent a much stronger note, in which he is advised that he has 10 days to make arrangements with the credit union or face legal

action. In the event that a member does not respond to the second letter, he receives a telephone call or personal visit from a credit union representative. Should the member live within driving distance of one of the employer's sixty trucking terminals (covering twenty states and the District of Columbia), a local terminal manager will make the visit or the telephone call on the credit union's behalf.

McLean resorts to legal action only after all of these efforts have failed. In its seven years of operation, this North Carolina group has made 18,152 loans for $7.7 million. During this period, the credit union has taken legal action in twenty-four cases (including repossession of automobiles).

"We stress in our contacts with the member that he has an obligation which he will have to meet and that we must insist that he pay his loan balance in full," says treasurer Stevenson. "We are persistent and firm, and make it clear that we will follow any course necessary to collect the funds due. By achieving an early understanding on the member's responsibility to pay—and the credit union's obligation to collect—we make delinquency follow-up a good deal easier."

• **Newport News Municipal Employees Credit Union** in Newport News, Virginia (organized: 1950; assets: $67,000; write-off: $5,444), reports that it has to use the courts to obtain payment in a majority of the cases in which delinquent members have left the field of membership. But in some instances, the legal notice of the forthcoming trial suffices to prompt the member to make his payments.

Forms sent

This municipal employees' group begins its delinquency schedule by sending CUNA Supply's form 20 to the member. If the member does not respond within eight weeks, he receives a copy of CUNA Supply's form 21. Newport News Municipal then waits a month before taking further action. But if the member fails to contact the credit union during this period, the board instructs the treasurer to take legal steps to obtain a judgment.

But if the delinquent member responds to notice 20 or 21, the treasurer makes it a point to show the credit union's concern in the member's financial situation. If necessary, he suggests token payments to demonstrate the member's willingness to meet his obligation. Says treasurer W. A. Howard: "I do not think that the amount of the token payments is really important. What really counts is the borrower's sense of responsibility and sincerity in trying to do his best to meet his obligation to his fellow members."

• **Baltimore Post Office Employees Credit Union** in Baltimore, Maryland (organized: 1929; assets: $618,000; write-off: $5,378), begins its follow-up by requesting the co-makers to ask the member to use his pension refund check to settle his credit union debt and arrange for regular repayments.

"At the same time we write directly to the member suggesting that he make early arrangements to relieve his co-makers of all concern about their obligation," says J. D. M. Marquette, the group's treasurer since 1929. "We also point out to the member that he would have been unable to obtain the funds when needed if his co-makers and the credit union had not helped him."

Only 1 of 5

Only one out of five members responds to these suggestions, however. Some 80 percent of those who leave the field of membership have to be threatened with legal action through a certified letter with return receipt. Only 10 percent of the letters bring results.

Baltimore's Post Office group has to take legal steps in 70 percent to 75 percent of the delinquencies of members who have left the field of membership.

"If the co-makers assume the debt," adds treasurer Marquette, "we refrain from collecting all interest and fines and collect only the principal."

• **Roanoke General Electric Employees' Federal Credit Union** in Salem, Virginia (organized: 1956; assets: $119,000; write-off: $312), uses its loan officer to carry out a carefully planned series of follow-up steps.

The initial step is filling in a delinquent loan record for each member as he becomes delinquent. This task is performed by the treasurer. The completed form is then turned over to the loan officer for action.

General Electric's individual delinquency loan record is a mimeographed 8½ x 11 card. It provides space for recording each of the following items of information: the member's name, account number, note number, date of delinquency, home address and employment; remarks, including all specific knowledge about the member; the co-maker's name and address; also remarks about the co-maker; amount of scheduled monthly payments, date and amount of last payment, share balance, loan balance on date form is made out, and amount of original loan.

Card data

This information takes up about one-third of the card's face. The remaining two-thirds and the entire back of the card are used for recording the information gathered by the loan officer. "Our loan officer records each item of information and all of his actions on this card," says treasurer Charles W. Lawrence. "This helps us in knowing exactly what has been done in case he should be ill or absent."

The loan officer begins the delinquency follow-up by asking the sponsor's personnel department for the date of the member's separation as well as his last known and forwarding address. He then makes every effort to contact the member by telephone.

If the member does not respond within 10 days after the telephone conversation, the loan officer sends the first of a series of five delinquency letters. Additional letters go out at 10-day intervals. If the member does not respond to the third letter—after 30 days—the loan officer tries to make a personal visit to the member's home.

Wife knows, too

"The advantage of such a visit is that the wife learns about the indebtedness," treasurer Lawrence points out. "Frequently it is necessary to make quite a few trips, as well as inquiries among the neighbors, before our volunteer loan officer succeeds in finding the member at home. But he persists in making this contact—provided the member has not left the area."

Delinquent members whose new home or place of employment is within a 60-mile radius from Salem, receive the same personal visit from the loan officer as those who remain in Salem or Roanoke.

During the interview at the member's home, the loan officer inquires

in detail about the member's financial situation and his new place of employment. If necessary he may request a change in the loan payment schedule or refinancing. But in each case, one of the most important aspects of the interview is that the wife finds out about the loan and becomes directly involved.

"I talk turkey to them," says loan officer Fritz Kehn, a manufacturing engineer. "But I also offer them our credit union's advice and assistance."

If the member does not demonstrate his willingness to meet his credit union responsibilities during this interview, he receives a fourth letter after another 10 days. At the same time General Electric Credit Union sends a carbon copy of its letter to the co-maker with a request to assist in collecting the loan.

Ten days later

Ten days after mailing the fourth reminder to the delinquent member, General Electric's loan officer sends a personal letter to the member's new employer. In this letter, Kehn informs the employer of the member's loan, explains his responsibility to his former fellow employees, and requests that the employer encourage the member to honor his debt and avoid the need of legal action.

If new employer does not respond, or if he writes that he cannot assist the credit union, the loan officer forwards the fifth letter of the series to the borrower. This letter notifies the member that the loan will be turned over to the credit union's attorney for legal action within 10 days.

• **Tri-Cities Newspapers Credit Union** in Newport News, Virginia (organized: 1954; assets: $214,000; write-off: $2,651), uses a three-member delinquent loan committee to contact members who have left the field of membership. The committee is comprised of non-board members. It works under the direction of the treasurer.

These are the details of Tri-Cities' delinquency procedure:

"When an employee plans to leave our field of membership," explains treasurer D. W. Ashe, "his foreman notifies our office. Usually this information reaches us before the member has actually left. We immediately ask the member to visit our office. During the interview we urge the member to make arrangements to continue his payments. If a change in the member's payment schedule seems to be indicated, we submit our proposal to the credit committee for approval."

Adds Marion C. Bowler, the group's president: "Most of our members react positively to our suggestion to make advance arrangements for payments after they leave the field of membership. A few do not respond."

Tri-Cities' treasurer prepares a monthly report of all delinquent loans of members who have left the field of membership. Copies of this report go to both the board of directors and the delinquent loan committee.

In a joint conference with the treasurer, Tri-Cities' delinquent loan committee decides what action should be taken in each individual case. If the loan is secured by a co-maker's signature, the committee usually notifies him of the delinquency and requests his support and assistance in bringing the loan up-to-date.

Occasionally the efforts of both the committee and the co-maker fail to bring any response. In such an event, Tri-Cities transfers the loan to the co-maker's account and assists him with the legal details of his civil action against the delinquent member.

In the case of signature loans, the chairman of the delinquent loan committee notifies the unresponsive member by registered mail that he has two weeks to bring his payments up-to-date. The same letter informs the member that the board of directors will use the process of the courts to effect collection if he should fail to take positive action during the two-week grace period.

• **WRAMC (Walter Reed Army Medical Center) Federal Credit Union** in Washington, D.C. (organized: 1952; assets: $2.4 million; write-off: $50,581), reports that understanding and helpfulness are its most effective collection tools.

"We keep on the friendly side of our delinquent members who have left the field of membership," says manager Thomas E. Hoover. "We follow up with correspondence and never adopt a threatening manner. Only as a last resort will we contact a new employer or repossess a car."

Under an arrangement with the civilian and military personnel officers of the Medical Center, all employees contact the credit union before leaving the field of membership. Military personnel usually make out allotments in favor of the credit union. Civilian members discuss payment plans with the credit union's staff.

"We do everything possible to help our members," reports manager Hoover. "Frequently this means finding employment for them. If necessary, we reduce and extend their payments. We stress the need to keep in touch with us. Usually we write monthly to each member who has left the field of membership. Because we are keeping in constant touch with these members, we do not have a single delinquent account in the hands of our attorney—with the exception of those which have been written off."

Continues Hoover: "When writing reminder letters to delinquents, it is important to remember that most people are honest and would like to clear up their just debts. That's why we adopt a sympathetic attitude toward them—rather than a belligerant one. And that's why we are not unduly concerned about our 700 outstanding loans to members who have left the field of membership."

CANADIAN RATES

(*Continued from page 8*)

retail firms as an area that badly needs limiting legislation. Argue quoted figures, which he said he himself calculated, showing that such Canadian merchandising giants as Eaton's and Simpsons-Sears charge interest rates on purchases up to 54 percent per annum.

The CCF leader illustrated his speech with a number of spectacular examples of how Canadians are being overcharged when borrowing money. He quoted the case of a Mr. and Mrs. Bert Thompson of Toronto who paid $878.50 for a car they never owned. The couple had made a downpayment of $400 on the car and signed a contract to pay the rest at $36 a month. They paid $618 and had the car about six months, then turned the car back because they couldn't make any more payments. The car was subsequently sold to someone else, but in spite of their considerable investment, the Thompsons had to pay the balance of $262.50.

Another example quoted by Argue concerned Edward Waddington, of

Oakville, Ontario, who three years ago went to his lawyer to make arrangements for the downpayment on his new home. He had $2,000 in cash and needed to raise $1,680 more on a second mortgage to make up the required total of $3,680. "When the mortgage came through," Waddington later complained to a newspaper reporter, "it was for $2,700, bearing an interest rate of 6 percent per annum. I thought when I got the papers that it was a typographical error, that they had put down $2,700 instead of $1,700, but it wasn't." Waddington recently made his final payment on the mortgage—he has paid a total of $3,186 or 187 percent of the amount of money he actually got—$1,680. This kind of bonus payment for second mortgages, according to Argue, is not uncommon in Canada today. His bill is designed to eliminate such practices by slapping a 12 percent interest limit on all loans.

"If the government took action in this field," Argue contended, "I think there would be other means by which credit could be obtained. If a few of these loan sharks decide that they did not wish to continue in business I would say good riddance. We have credit unions which are doing a good job and which can do an even better job."

Attacks rates

Argue also attacked the chartered banks in Canada for charging a higher interest rate than the 6 percent they're allowed under the statutes through a series of hidden charges. "It is a fact, in my judgment," he said, "that the banks have cut some corners by methods that are certainly not established as being legal, in order to bring about for themselves a much higher interest rate than the 6 percent set forth in the Bank Act." Argue claimed that there has for some time been evidence that the effective rates are 9, 10 or 11 percent. It was pointed out in the debate that followed that the percentage limit suggested by Argue was not impractical, because 12 percent is the rate charged by most credit unions in Canada on loans.

R. J. McCleave, a Conservative member of parliament from Halifax, declared that in his opinion the adoption of Argue's proposals would mean the disappearance through bankruptcy of every small loans company in Canada. These firms, McCleave said, contend that the cost of operating their services amount to about 13.3 percent of the average outstanding loan. There was some feeling expressed by the members of parliament who participated in the debate, that adoption of the Argue measure constituted an interference with the rights and privileges of the citizens of Canada. McCleave, for example, said that: "It seems to me that circumstances differ when people borrow money. What is usury for one man may very well under the circumstances be life saving and the proper thing to do for another. A person who goes into a contract to buy money and to pay a large rate of interest on it may do so knowing full well the risk he is taking, knowing that he is the victim of his own circumstances, that he must accept almost any terms that are thrown at him."

M. W. Martin, a CCF member for Timmins, Ontario, told the House: "I'm not familiar with the operations of finance companies because I've never worked for one and I've never dealt with one. But I am familiar with the operation of credit unions. I know that the maximum of 12 percent which is charged by credit unions—in fact, in many cases it is much less than that—looks after all the costs of operating of the credit unions. This 12 percent is to look after the costs and to pay interest to the people who invest in credit unions, as well as to set aside a sum every year to take care of uncollectible debts."

W. H. Herridge, the deputy house leader of the CCF, also spoke of credit unions. "We have been very successful with the credit union movement in Kootenay West, my constituency," he said. "We have a number of credit unions in such places as Rossland, Trail, New Denver and Nakusp. I remember ten of us got together many years ago to form a credit union with $200. A lot of [Conservatives] laughed at us on that occasion and said the working man is not capable of running his own affairs—fancy running a bank, they jeered, they will go broke in four years. Now, I think the Trail credit union has assets of about $4 millions and I know some people have been advised to go to the Trail credit union to get loans that the banks would not provide."

The debate continued until its allotted time expired, and the subject will not likely be brought up before the Canadian House of Commons again until a similar occasion next session. But there is a growing realization among Canada's legislators of the persistent abuses being committed in the small loans field, and a parallel realization that the service of credit unions provides a sensible alternative.

NORTH DAKOTA LEAGUE

(Continued from page 7)

tion program dates back to the 1955, 1956, and 1957 League annual meetings, when such a plan was discussed.

It was brought out at these meetings that some credit unions had complained about state examiners' criticism, and the fact that this was causing some officers to lose interest in their work. Some credit unions simply said they weren't satisfied with state examinations, and suggested that the League, which is close to the individual credit union and has an interest in its welfare as well as in its bookkeeping methods, could do a better job.

And it is true that the self-examination plan *has* resulted in better audits and happier and better-run credit unions, the League believes. Hofland says two of the typical things that were discovered by state examiners were slowness in reporting delinquencies and incomplete bookkeeping. Of course their solutions to these and other problems were cold, hard-and-fast, direct methods, which are perfectly all right for most financial institutions but do not sit so well with hard-working, unpaid credit union officers.

The state's answer to delinquent loans was to write them off in many cases. The state's comments about books that weren't kept right up to tip-top professional standards often were caustic. The League has found the same shortcomings and errors that the state did, Hofland said, but more important to the League and to the movement generally, it has discovered things that the state examiner never looked for; things that needed attention from the credit union as

well as from the bookkeeping point of view.

And here is where the League feels its examination plan really comes into its own. Here are some of the things Hofland says are being learned about credit unions, and some of the things the League is working to correct:

Some rural credit unions, because they are small and because everybody knows everybody else, have been lax in getting full information on loan applications. The thought is that everybody knows John Jones is good for a loan; why make him fill out all those details? The League is trying to convince all credit unions that such information *is* important and *must* be filled out on all applications.

Sometimes in rural credit unions eligibility for loans is based on the amount of land and property the borrower owns, rather than on the income he has, a different matter entirely. A man may own considerable real estate and other property and still be in poor shape for a loan, the League reminds its members. It is the credit union's job, through complete and accurate information on applications, to decide whether the applicant can make loan payments on top of whatever other obligations he has—no matter how big a farm or ranch he owns.

Rates too low

Some credit unions are operating at an interest rate that's too low; some as low as 7 percent per annum. The League suggests a minimum of ¾ of 1 percent. "We understand how they feel about low interest," Hofland says, "but we point out that they may not be providing needed services at such low interest rates. They also may not be paying the treasurer enough."

Some credit unions are slow in acting on delinquencies. The League is urging firm collection policies and offering its help in setting up such policies.

Other credit unions have supervisory committee that have become virtually inactive. In some cases committee members are vague about what their duties are. The League is trying to get these committees working properly, and to get across the idea that the supervisory committee provides necessary internal control in a credit union.

The League has suggested to some credit unions that they should pay flat monthly salaries, rather than salaries based on gross business or other factors. It has been found in others that the ratio of income is too close to the minimum, and that the credit union was not setting aside funds for such things as education and promotional advertising.

Other things turned up in the examinations were examples of credit unions whose credit committees do not hold regular meetings; member account verifications not kept properly; shares and loans off; general bookkeeping methods needing improvement; and lack of development and growth of the organization.

Beautiful, but . . .

Wilson points out an example of one small credit union whose audit revealed the books in "beautiful" condition. The condition of the credit union itself, however, was not so favorable. Probably the state examiner would have given this organization a quick okay, but the League found things that the state never looked for and wasn't interested in. It found that the credit union was standing still. And it added a report, as it does to all such examinations—a report aimed at helping the credit union see and solve its own problems.

This report read, in part, "The problem of this credit union is lack of growth and not being able to keep out on loan moneys they do have. Possible remedies for this situation include: plan on some type of individual education whereby information sent out points out services such as savings and loan insurance, comparative interest rates, etc. The growth of this credit union should be of concern to all its officers and members."

"These examinations often help us see things they have missed," Hofland says, "and ways in which we can help the credit union. Sometimes we can provide the spark needed for growth."

Meetings liked

Many credit unions like the idea of having a board meeting right after the audit, and the League does this as often as it can. "We feel these meetings can be of great importance," Hofland says. "This is a good time for us to get together. Often after such a meeting officers of the credit union have a favorable feeling about the movement and an attitude of encouragement."

The North Dakota League's audit plan is a self-supporting one. The League charges a credit union $35 per examiner per day for this service, and a minimum fee of $17.50. The state's minimum charge is $25, after which it is based on 20 cents per $1,000 of assets.

It may cost smaller credit unions, therefore, less for the League service than the state's, because many of them can be examined in a short time. It may cost the larger credit unions a little more. However, the League feels that even when it costs a credit union more for a League than a state examination, the additional services and personal attention provided by the League more than make up the difference.

League examinations are not surprise visits. "We let them know a week ahead," Hofland says. "We feel we don't accomplish much if we drop in on them unexpectedly. They may be knee-deep in work during a busy period, and when we come they have to close their books and stop operations. Smaller credit unions may have part-time treasurers, and we want them to be there when we come. We have a pretty big territory to cover."

No great burden

Hillerson says that though he and his two assistants do all the examining, this additional work has not put too great a burden on them, and he does not contemplate adding more help—unless the 40 credit unions still being examined by the state decide to change to League examinations. In that case Hillerson says he might have to add a man, or make examinations a full-time job for one employee.

The reason the examinations have not been a major added burden is that when the state was doing them there was so much follow-up work to be done by the League—explaining, encouraging, and instructing—that the examinations themselves do not take much more time. However, Hillerson, Hofland and Wilson, then and now, spend a remarkable number of hours on their jobs.

They have no set schedule, and they divide the examination jobs up in no prearranged order. "Of course each of us feels he has been given the tough ones," Wilson says with a smile.

Why have 40 credit unions in the state chosen to retain state examinations? Hofland doesn't know, and says these credit unions have never given

any concrete reasons. "It may be that some of them feel the state audit carries more prestige," he says. "I don't know."

A report of each League examination, including a balance sheet, is sent to all officers of the credit union, and a copy goes to all members of the state credit union board. The League asks each credit union to reply to its report on the audit, and Hofland says a weakness of the system so far is that too many credit unions have not replied, and the League has not come up with a way to get credit union boards to send these replies.

Since the plan went into effect, one serious offense was discovered, a $7,000 embezzlement. The treasurer admitted his act and made full restitution. In only one other case has the League recommended a change of treasurer. In this case inefficiency was given as the reason.

Is there any tendency for the League to "go easy" on member credit unions during these examinations? What about the feeling that the League might "cover up" for one of its own credit unions?

Hillerson says no. "In the first place," he says, "this isn't the way the credit union movement does things. Besides, I think the tendency is just the opposite. I think we are more likely to be critical of ourselves than an outsider would be."

Hillerson has been told several times by state examiners that League examinations were more thorough than the state's.

How does he feel about other leagues adopting the examination program? "We haven't come up with any reasons why this system wouldn't work as well for others as it has for us," he says. "I think this is an important service we can offer credit unions. It may be a better way to offer service than any other."

Summing up, here is how Hillerson, Hofland, and Wilson assess the League examination of its own credit unions thus far:

Better credit unions

They are finding better-operated credit unions than before. Boards of directors are sensing their responsibilities more than before, and they have indicated the credit union idea means more to them. Credit and supervisory committees, too, have been given a boost. Treasurers have changed their attitude about examinations, and the feeling generally is "we're in this together."

Credit unions that have tried it like it; they like the idea of constructive criticism from people in the movement rather than disinterested criticism from a public official. The League believes the plan would work well in other leagues, but that this is up to state legislatures, banking commissions—and the desires of credit unions themselves.

EDUCATION LOANS

(Continued from page 3)

adults, for vocational training, refresher courses, university extension courses, and such things as beauty culture school, work on higher degrees, and high school senior class expenses like class trips, class rings, and other special pre-graduation costs.

These loans are made to persons of all ages, more to women than to men. They are made directly to the applicant, not paid to the school, and minors require co-signers. Mrs. Benson believes many young people learn elements of thrift, business and money management through such loans. Borrowers have a year to repay, and many young people repay with money earned at summer jobs. Many repay and borrow again.

The number of bad loans in twenty years has been fewer than ten, Mrs. Benson says. Some borrowers have been slow to repay, but default has been practically nonexistent. When a student quits school, the interest rate reverts to the standard 1 percent per months, but few drop out of school. "I think these loans have helped keep them in school and given them a lesson in responsibility," Mrs. Benson says.

She regrets the $300 ceiling, and wishes it were raised to $500. The reason for the $300 maximum, she says, is that the board of directors likes to make all its decisions unanimously, and the directors at present are not unanimous in wanting to raise the limit.

The loans may be repaid by the month or in an annual lump sum. Schedules are figured for individual borrowers, according to their needs. There is no basic repayment schedule, and no chart is followed.

The loans are not money-making propositions, Mrs. Benson says. The same dividends, insurance and interest refunds apply to these 3 percent per annum loans as standard loans.

"Their sole purpose is helping people whether it's for completing high school, higher education, learning a trade, or taking special courses of some kind. We think the benefits are important to the community and to the credit union." Despite the low financial returns, Mrs. Benson believes the plan may well provide better returns to the credit union than any other service it has, because it has introduced many people to the credit union, its philosophy and its benefits to the community.

The loan plan provides funds available from no other source in the community, she says. There is no competition. It has led the credit union into many counseling situations, and Mrs. Benson considers counseling an important function of the credit union.

Recalls dust bowl

"I am a former social worker," she says, "and I can recall back in the dust bowl days when counseling was the first function of this credit union—before we had any money." Hereford pioneered education loans in Texas, and similar plans have been adopted by at least four other credit unions in the state, she says.

Some criticism of the plan has been heard from other credit union people in the area. They have called it a "subsidy" for a few members. "But we are willing to 'subsidize' these members if we can help them with their education and benefit the community at the same time."

No repayments on principal until after graduation is one feature of a college education loan plan started in 1958 by the U.S. Courthouse Credit Union, Nashville, Tennessee.

Hampton Burkhalter, managing director, and George Pate, senior counselor in charge of student loans, told the Bridge their credit union decided at the 1958 annual meeting to estab-

lish such a plan. Before it was set up, credit union people conferred with representatives of educational institutions and banks in the area. The plan as approved was intended primarily to help students who otherwise might not be able to afford higher education.

The U.S. Courthouse plan works this way: A ceiling of $1,500 a year has been placed on loans to undergraduates, and $2,000 for graduate students. Undergraduates may borrow $300 the first year, $350 the second, $400 the third, and $450 the fourth. Grad students may borrow $500 a year. Students are required to pay nothing on the principal while they are in school, but interest at a reduced rate of ½ of 1 percent a month.

Alternate plan

Under an alternate plan, the student may borrow the full amount ($1,500 or $2,000) which is placed in the parents' share account. The student then may draw out each year the same amounts as he would have borrowed on the yearly plan. The advantages of the second plan are that the full amount draws interest in the share account, and if the parent dies the student receives double the amount on deposit. The decision on which plan to use is up to the parent.

Obviously, these plans are not intended to cover the full cost of college education; they are meant to meet the cost of tuition and books. Students who want to use the plans, and can qualify on the basis of need, character and academic background, must also satisfy the credit union that they will have sufficient additional funds to pay for their other education costs.

Saving suggestion

When the proposal was approved in 1958, it was suggested that parents taking part in the plan would be encouraged to enter the credit union's "Saving an Education" program as early as possible after the birth of the child and before he reaches age 18. In that way the child or parent would have saved for education purposes an amount equal to the amount of the loan. But this is not mandatory.

An undergraduate student's only costs during his four years in school is $7.50 a month in interest. He is told that when he is graduated and gets a job, his loan will become a standard credit union loan. Since none of the 29 students who has taken out such a loan has graduated yet, the matter of repayment of principal hasn't been worked out in detail. Burkhalter says each repayment plan will be decided on an individual basis when the time comes; however, students are assured that there will be no lump sum payment.

It is interesting to note that a Nashville bank started a student loan plan of its own after the U.S. Courthouse credit union put its plan into operation. The bank charges interest of 6 percent per annum, and the loan must be repaid while the student is in school.

"They are looking for repayment from parents," Burkhalter says; "we want the student to repay."

U.S. Courthouse started the plan, Burkhalter says, because "we had a representative number of our members tell us we needed it. The membership is the boss in a credit union, so we gave it to them." "This is a service of the credit union," Pate says, "it is not a money-making project. It provides no income, though it is no drain on credit union funds. The board has limited the education fund to 5 percent of share capital."

Too limited?

Burkhalter feels that the plan may be too limited in that it allows loans of up to 50 percent of the total cost of a student's education, but in practice the amounts loaned are usually far less than 50 percent. He says it may be that the rules will be amended to allow loans of a full 50 percent.

Both Burkhalter and Pate say they know from talking to students that these loans are appreciated, and in in many cases provide an incentive toward education that otherwise might not be attempted. Burkhalter regrets that a larger number of loans hasn't been made, and believes the reason may be the limit on the amount of loans, as well as a lack of publicity on the plan.

There has been little criticism of the loan plans; the only criticism heard so far is that the loan limit may be too low. "Even those who have never used the plan have commended us for having it." Burkhalter says. "We think it is most worthwhile." Pate noted that the credit union membership is about a third colored and two-thirds white, but that about half the education loans have been made to colored students.

A man who has investigated education loan plans offered by all kinds of lending institutions is Irett Ferris, manager of the Detroit Teachers Credit Union, who says he found the so-called low cost loans offered by finance companies actually work out to 2 percent per month.

Detroit Teachers has had its own education loan plan for more than a year. It does not provide lower interest rates than other credit union loans; it differs only in that it provides longer-term loans, and money for a full college course for those who want it. Some such loans are made to older credit union members; teachers who are working on higher degrees or who want additional study in certain fields. Ferris believes education loans are becoming more and more important, especially in the teaching profession, where school boards look hard at education levels when salary schedules are being reconsidered.

$1,000 a year

The Detroit Teacher plan provides $1,000 a year for four years. While no maximum is set, the credit union does not like the amount owed to exceed $2,000 at any one time. These are character loans. In the case of minors, co-signers are required. Repayment is set at $75 a month on a $1,000 annual loan. Since teaching is a 10-month proposition, 10 yearly payments are made, and repayment is completed in six years.

The interest rate in this credit union currently is ¾ of 1 percent per month. Ferris says "we beat the competition at this rate. We found after making a study that regardless of how finance companies state their rates they are at least double ours."

Loans for education purposes have been made for years, Ferris says, but its formalized four-year plan has been in effect only a little over a year. Twelve loans have been made under the new plan, and Ferris believes it is working out very well.

Being planned

In the planning stage is the education loan plan of the Portland, Oregon, Teachers Credit Union, and Treasurer-Manager Hugh Stout expects to put the plan into effect in the fall.

It is set up to provide $1,000 a year for four years, but not more than $500 per semester. If a borrower indicates he wants a total of $4,000, that amount will be placed in

a trust fund by the credit union. The maker of the loan—student, parent, or teacher seeking a higher degree—will be guaranteed an interest refund of not less than $280 at the end of the four-year period.

Stout says the payments will work out to $101.45 a month. This credit union charges 5/6 of 1 percent per month, and there will be no special lower rate for the education plan. He says the loans will be self-secured by the trust fund, and since the borrower will receive no more than $500 at a time—the state limit for unsecured loans—no co-signers or other security is required.

The trust fund plan is set up to insure that in case of the death of the parents, the money will be used by the student as originally intended. "We don't want the student to draw out this money and buy a convertible, for instance," Stout says.

He says his credit union has made a study of the rates charged by other lending institutions, and that he found, as many others have, that their advertising for education loan plans is a little vague about the actual cost of the loans. However, he is sure the Portland Teachers plan will be far less expensive than those offered by finance companies, and cites the added advantages of guaranteed interest refunds and group life insurance among other benefits of the credit union's plan.

Much area interest

Stout said there is much interest in such a plan in the Portland area, and that the credit union is making a continuing study of education loans. "We are not satisfied with ours yet," he said, "but we hope to have it ready for applications in fall."

He believes the plan will be especially valuable to teachers working on a higher degree. His credit union has made many loans for education purposes, but up until now they have been standard credit union loans with the usual security requirements.

A credit union that offers special reduced interest rates on its education loans provides money at lower cost than a borrower can get practically anywhere else. Most credit unions whose plans operate at standard credit union interest rates are confident they too are considerably cheaper than the plans offered by other lending agencies, no matter how their rates are stated.

But one credit union that tried an insured tuition, long-term education loan program has dropped it, and believes a commercial finance company's rates are lower than it can offer.

The Manhattan College Federal Credit Union, New York City, started an education loan program three years ago (see Bridge, February, 1958) on a trial basis. A few months ago it decided to drop the plan. When the four-year tuition plan was set up, an interest rate of ½ of 1 percent per month was settled on, but after the plan was in operation awhile the credit union found it wouldn't work at that rate, and it was increased to ¾ of 1 percent.

Then last fall, according to James Cahill, credit union president, it was decided to drop the plan in favor of one offered by CIT Credit Corporation through its subsidiary, Tuition Plan, Inc. This plan, Cahill says, has an interest rate that figures out to ⅔ of 1 percent per month.

He says that under the circumstances under which his credit union operates, it can do better than commercial lenders on year-to-year loans, but it can't match their interest rates on long-term, four-year plans and still provide insurance and pay dividends. So the Manhattan College credit union got out of the long-term tuition loan business and turned it over to a commercial company.

This credit union made about 20 special education loans during its "pilot study" period, some of which are still in force. But it will make no more of them. It still makes many student loans for education purposes, of course. In this small credit union it has worked out that faculty members have provided most of the savings and the students most of the loan demands.

Other credit union leaders who have heard of Manhattan College's decision that it could not provide a long-term education loan plan as cheaply as a private finance company have commented that probably this credit union is too small for such a plan.

The treasurer of one credit union that has its own plan said that in order to offer a reduced-rate plan the credit union must be large enough so that its other loans will provide income enough to offset the low income or lack of income of the education plan.

Discriminatory?

Should credit unions offer education loan plans at special reduced interest rates?

You can get lively arguments on both sides of this question. Some leaders of credit unions that offer such plans are enthusiastic about them because of their value as a needed service as well as a source of good will and good public relations.

But some students of the credit union idea take a cautious view of any plan of any kind that offers special concessions to certain people. Generally speaking, the policy of the movement has been firm against special rates on any type of loan.

A reduced-interest rate education plan, they say, provides special benefits for a few members of a credit union, while it is being paid for by all the members. The purpose of the credit union, they say, is to provide credit service to its members, chiefly in the area of day-to-day consumer purchasing. In this area, the credit union can almost always do better than any other credit source.

Is it a proper function, they ask, for the credit union to offer special plans of any kind to some of its members, while asking all of its members to finance them?

It's a difficult question.

THE IMPORTANCE OF COUNSELING

(Continued from page 12)

make a full settlement with each of his six creditors. His furniture served as security for the loan.

This loan reduced "C's" monthly payments from $107 to $40. Thirty-five dollars of this amount were applied on principal and interest. The remaining $5 were "C's" monthly savings.

In January, 1960, "C" needed additional funds to make essential repairs to his home. By that time his

loan balance had dropped to $492. But he did not ask Hilton Davis for additional money. Instead he went to a small loan company.

"I found out about 'C's' new money problem from the small loan company," reports treasurer Doyle. "One of its credit investigators telephoned me to find out about 'C's' payment record. I told the investigator that "C" had a fine payment record. Then I put down the phone and hurriedly called our time keeper to ask that he put a note on "C's" timecard which would bring him to the credit union office as soon as possible."

When "C" called soon afterwards, Mrs. Doyle asked him why he wanted to borrow from a high cost loan company after the credit union's efforts on his behalf. "C" replied that he did not think that the credit union would want to help him again so soon. "You were so wonderful to me, that I just didn't think it fair to trouble you again," he said. "The fact is that I need $250 to keep my house from falling apart. And I thought that it would be better to pay the higher interest rate at a small loan company and not bother my good friends at the credit union about this."

Mrs. Doyle explained again that the credit union's purpose is to help the member with *all* of his credit needs, not just a portion of them. The credit committee, too, went immediately into action. It approved the additional funds with a refinancing arrangement.

During the following year, "C" made his payments promptly and accumulated $88.92 in his share account. Then the employer had a general lay-off and "C" lost his job for the second time in two years.

With the beginning of the 1960 lay-off, "C's" wife obtained part-time work at a dime store. "C" drew unemployment compensation for several months. He then found work at a bakery. Last January he was recalled by Hilton Davis' employer.

As soon as he found out that there would be a lay-off, "C" visited the credit union. He authorized to use his shares in part-payment of his loan and assured Mrs. Doyle that he would try to make regular loan payments as long as he had any income at all.

Kept his word

"C" kept his word. Throughout last year's lay-off period he sent each month a payment to the credit union. At times, the amount was only $20 or $25. But he never gave up trying to meet his obligation to Hilton Davis Employees Federal Credit Union.

On the day on which "C" was rehired, he told Mrs. Doyle: "I want to thank you for sticking with me throughout these hard months. No organization but a credit union would have shown such patience and understanding. The credit union can count on me as a friend for life."

• **Case D.** "I wish that I had known about the credit union earlier. If I had, my wife and I would perhaps not be separated today."

These are the words of a 22-year-old chemical worker with a fine four-year work record. He and his wife and 18-month-old infant recently separated because they could not agree on the way to use the family earnings. The member now pays for the support of his wife and child.

"D" joined Hilton Davis last De-

cember at the suggestion of a fellow worker. His weekly net income at that time was $72 and he owed a total of $533 to these creditors:

Finance company (to get married)	$265.00
Jeweler (cigarette lighter, some dishes)	35.00
Two doctors (child's illnesses)	150.00
Sears, Roebuck (tires)	83.00

Hilton Davis consolidated these bills because "D" had an excellent work record without absenteeism. His repayment schedule is $35 per month, plus $5 for savings. The credit committee approved this loan with the understanding that "D" would not withdraw his savings before completion of his loan repayment schedule.

Comments Mrs. Doyle: "Obviously we failed somewhere in this case. 'D' should have heard about the credit union earlier. It is hard to understand how he could have been in our plant for four full years without learning about the credit union. But the fact is that he either did not hear about it or was not receptive to the credit union idea until he was in deep trouble. This is quite a challenge to us because we cannot be satisfied with simply bailing people out of trouble. What we are trying to do is to help people before they get into financial difficulties by showing them the way to sound money management practices."

• **Case E.** This member is a 25-year-old chemical worker. He is married, has two children and is an average worker. His personnel record shows some absenteeism.

"E" joined the credit union about three years ago. He made several loans up to $150. His payment record was prompt. But the credit union was unsuccessful in its efforts to encourage him to save. Each time he started a savings program, he dropped it after his share account had accumulated $15 to $20.

In October, 1959, "E" was threatened with garnishment and came to the credit union for assistance. He admitted a total indebtedness of $1,097. His weekly net earnings were $76.

To avoid the garnishment, the credit union consolidated all of "E's" bills and made him a loan for the full amount of his obligations. "E's" new monthly payment schedule was $44. This represented a gain of $72 in the member's monthly take-home pay.

Here is a break-down of "E's" debts:

Finance company (furniture)	$ 656.23
Finance company (personal)	294.75
Department store (clothing)	83.46
Car accessories	63.37
Total	$1,097.81

Before approving the loan, the credit committee interviewed both husband and wife in the credit union office. They promised to use their money more carefully and to incur no further debt.

But five months later, another finance company telephoned the treasurer about this member's credit standing. The lender mentioned that "E" was trying to borrow $200 from him.

Four days after this telephone call, "E's" wages were garnisheed by an automobile appliance store. The creditor in this instance was one of the four whose previous claim had been paid in full during Hilton Davis' earlier loan consolidation. The new indebtedness involved $121.48, due for appliances and porch furniture.

Seven days later another finance company informed Hilton Davis that "E" was seeking a loan to pay off the creditor who had garnisheed his wages.

Another garnishment

On the same day, "E's" wages were garnisheed by another creditor. This time it was a bank. It demanded payment of $834.54, the balance due on a car loan which "E" had failed to list when reporting his indebtedness to Hilton Davis in October 1959.

Eight days after the second garnishment, "E" filed a petition for bankruptcy. In it he listed over thirty creditors, none of whom he had reported to Hilton Davis.

"We feel that we cannot do much more than we did for this member," says chemical worker Louis Beierle, the credit union's president. "If a similar situation should arise, we will probably again grant the loan and later take the loss. Our original reason in approving this loan was to enable a member to retain his job and protect his livelihood. We feel that this is one of our important responsibilities; we don't want to duck it."

Continues Beierle, "Perhaps there is only one area in which we would not repeat what we did in 'E's' case. In the future we will make a more thorough credit check where special precaution seems to be warranted and necessary. But we feel that we should not become excessively cautious because of one bad experience. The majority are and always will be straightforward, and take us fully into their confidence. To encourage our membership to trust us fully, and confide their problems in us, will be one of the important objectives of our future counseling activities."

• **Case F.** Production worker "F" is married, has two children and four years' seniority in the employer's plant. He became a credit union member immediately after entering the company's employ. Throughout this four-year period he saved $2.50 weekly in the credit union. He also borrowed several times from the credit union for current expenses. The loan amounts varied. But they never exceeded $100.

"F's" repayment record is very good. His weekly net earnings are $76.

But "F" did not contact the credit union about his outside indebtedness until a finance company threatened his wages with garnishment.

Then he told the credit union that he owed $995 to these outside creditors:

Finance company (car, furniture—incurred when married)	$650
Finance company (personal loan to meet payments on other bills)	135
Car accessories dealer (tires)	80
Sears, Roebuck (clothing for wife and children)	130

Hilton Davis called in both "F" and his wife for a thorough discussion of the couple's financial obligations. "F" requested a consolidation loan with monthly payments of $60. This request was approved by the credit committee with the understanding that $50 would be used for principal and interest payments, and the balance of $10 would be assigned to savings.

The reason for the committee's insistence on a $10 monthly savings schedule was the member's defective car. The car was in need of major repair work or early replacement. The couple's original thought was to

(Continued on page 28)

Signs of the times

PEOPLE who buy vacation or homesite land in Hawaii from certain promoters may be buying a conversation piece they never expected, reports the Denver Better Business Bureau.

The land in question is in Hawaii, all right, on the island of Hilo, but what the promoters don't tell you is that it's located near a volcano that erupts on the average of once every three and a half years. Besides, the land is completely undeveloped, and no facilities such as water, electricity, telephone, or gas are on hand, the BBB says.

As with all other land promotional schemes, the BBB advises buyers to beware of distant "bargains" in desirable lands located in America's garden spots.

Another scheme

A warning about another land promotion scheme comes from the Houston BBB, which reports that chances are being offered on "free" lots, 60 by 110 feet, with the condition that the winner pays a closing fee of about $30. The BBB finds it is not very hard to "win" such a lot.

In an earlier report, the BBB stated that the land in question, located in Texas, was worth about $5 to $10 an acre, but now has revised this figure and feels that $1 an acre, or less, is more realistic. "The promotion describes at length the beauty of the country," the BBB's New Bulletin reports.

"That may be a matter of taste. We find indisputable truth in the firm's announcement that the region is ideal for hiking and exploration—if you take your water with you."

Quick change

Versatility often is the word for operators of "money-making" schemes, get-rich-quick artists, and promoters of different kinds of sure-fire deals. If they don't do well in one field, they often show up in another.

The Los Angeles Better Business Bureau describes the activities of a man who sells a booklet on Alaska in which he offers information about business and job opportunities in the 49th State "unavailable from any other source." The Alaska Department of Labor is extremely concerned about the matter, since the "inside information" contained in the booklet does not square very well with actual conditions in Alaska.

The promoter is not unknown to the Los Angeles BBB, nor to BBBs in other parts of the country. Among his other ventures, he formerly ran a mail order geranium business. The trouble with *this* venture was that the geraniums evidently existed only in the promoter's imagination, since they were not delivered to people who sent in their money.

Sad song

A Wisconsin woman who wanted her song published found herself $28 poorer recently, the Milwaukee Better Business Bureau reports, and though the song was "published," the author was the only person likely ever to sing it.

Thousands of Americans are bilked every year by questionable song publishers, the BBB says. The racket usually starts with an ad in a pulp magazine. When the victim sends in her lyrics, she receives a reply that they have "great possibilities." For a fee they will be set to music, and money is needed for music and orchestra.

The Wisconsin woman, after waiting there months and then receiving a request for additional money, became suspicious and asked for the return of her fees and her lyrics. Back came a copy of her song. Because she does not play the piano or read music, she didn't learn until much later that the music was a finger piano arrangement.

Off limits

The San Francisco Better Business Bureau says it takes pride in the fact that most businessmen will respond to appeals for self-regulation. Sometimes, however, they don't cooperate, and in a recent case a jewelry store was placed "off limits" to military personnel after the BBB registered a complaint.

After 15 complaints about the store were received by the BBB, and after the store had failed to respond to any of the BBB's letters, or even acknowledge them, military disciplinary control board placed the store off-limits until such time as it can show evidence that it has discontinued objectionable practices.

The most recent complaint involved a young serviceman, just returned from Korea, who allegedly was taken by the arm while passing the store and led into the establishment. There he was sold a watch, represented as having 21 jewels and a white gold back, for $120. It was later determined that the watch had 17 jewels, a stainless steel back, and a fair retail value of about $50.

Stuck with knitting

A couple of knitting machine promoters recently were found guilty of mail fraud and conspiracy in a Buffalo, N.Y., Federal court, the Kansas City, Mo., BBB reports.

The operators distributed knitting machines to people who were promised that they could not only earn money enough to pay for the machines, but additional income as well, by making knitted goods and selling it back to the company. Two things were wrong: the company bought back little or no knitted goods, and it imported the machines for $35 and sold them for $350.

buy a new car at the completion of the consolidation arrangements because "our payments will be so low that we can well afford the additional obligation."

But Hilton Davis urged the member and his wife to buy a good used car rather than a new one and to adopt a two-point program toward this purchase: (1) saving at least $10 regularly each month and (2) refraining from incurring further debts before buying another car.

This proposition appealed to both husband and wife. They accepted it. Some six months later they purchased a good used car with an additional credit union loan for $500, plus $219 from share account savings and the trade-in value of the old car.

Last January, "F" visited the credit union office to tell the treasurer that he and his wife have now a new objective for their monthly savings of $10. "We want to buy a home," he says. "And with patient saving and some help from the credit union we hope to make it in a few years."

Concludes treasurer Doyle: "We'll continue to help them to help themselves. Needless to say, it gives us a good deal of pleasure each time our educational efforts bear fruit."

MILLIONS PLAY 'GAME'

(Continued from page 5)

cause if I do he'll remember it as a promise. But if *he* mentions $2,000, I sort of give him an impression of maybe yes.

So he goes around to the other dealers using that $2,000 figure that *he* dreamed up, not me. I know he can't get the car for that money, and pretty soon he comes back to me. Okay, he says, I'll take the car for $2,000. Now is when I have to be a skilled salesman. I can't sell him the car for $2,000 and I know it, and so I tell him that's too low. I also tell him I never set such a figure—but I tell him nice, because *I don't want to lose the sale.* But finally, after some dickering, I write up the deal for $2,000 and take it in to the sales manager. He blows up, does some yelling, and tells me to get the price up to *$2,400.* I go back to the customer and tell him the bad news.

Now if I'm a good salesman I can impress him that at the figure the boss wants now, my original offer of $2,250 is a pretty good one. Right now I have the figure $2,200 in my mind as the price I want for that car. It's the same figure the guy could get it for anywhere else in town. So maybe there's a few more trips back and forth to the boss, and if I work it right I sell the car for $2,200, or maybe a little over.

There's nothing crooked about this. The customer is trying every way he knows to get a good price on a car, and the salesman is using all his skill to first make a sale, and second, get the highest buck he can for the car. This is why it's a game. No matter what happens the customer gets the car for less than the list price.

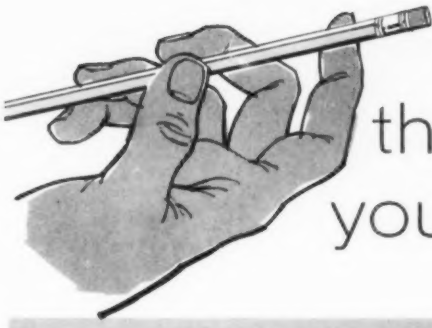
A lot of people have the idea that the new car business is shady and car salesmen are crooks. They get this idea partly from reading ads about "trading wild," "tremendous bargains," and "$500 less than any other dealer in town." They at least halfway believe these ads, and then when they come in and find out there aren't any fabulous deals they are sore and think we're crooks. Or maybe they *can* get a car for $500 less, but it's a demonstrator. A new model, sure, but a demo, which the ad failed to mention.

Why use ads?

Why do dealers use these ads when most of them don't mean anything? Well, they bring people in, and they "stimulate business." Some people think there's a lot of sleazy, sneaky-type new car salesmen. In the first place, there aren't, not working for good dealers. A high-class, reputable dealer has to have high-class salesmen.

When there are second-rate salesmen maybe it's because making a living selling cars is such hard work that it attracts second-rate guys while the top salesmen go somewhere where they can make a living easier. It's exhausting work selling cars — you're selling something expensive to people who hate to spend that much money, and you make a darned small commission when you sell one.

As far as crooks go, salesmen say the biggest liars in the world are car customers. They'll tell you lies about how much better a deal they've been



check the coverages your credit union needs

AUTO INSURANCE
Auto insurance protects your lien interest—helps your credit union give one-stop service.

BONDING SERVICES
The broad coverage of the special 576 credit union blanket bond means that your money can be insured against a wide variety of risks—up to $1 million, or $2 million.

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Chattel lien non-filing insurance helps busy treasurers by reducing the clerical work connected with filing and releasing liens.

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covers substantially all hazards in credit union operations, including annual meetings, board meetings, picnics, etc. It covers legal liabilities, including your credit union's legal obligation to pay losses or expenses due to: bodily injury, sickness, or disease, including death sustained by persons other then employees; damage to or destruction of property, including loss of property by accident. It also covers your credit union's cost of defending suits, the expenses of witnesses and experts, attorneys' fees, court costs, and other reasonable expenses in connection with the suit.

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to protect the credit union against losses resulting from the use of all owned, nonowned and repossessed automobiles, on or away from the credit union premises. Coverage is automatic for all hazards not specifically exempted, and includes all credit union operations in all localities.

WORKMEN'S COMPENSATION INSURANCE
provides for prompt payment of all compensation and other benefits legally required of the insured employer. Requirements are contained in the Workmen's Compensation Act of each designated state or territory of the United States and the District of Columbia, and in the provinces of Canada. The policy provides for death benefits, medical benefits, and compensation benefits to eligible employees, and protects your credit union as the employer in many ways. (Coverage is not available in states having monopolistic funds—Arizona, Nevada, North Dakota, Ohio, and West Virginia.)

write today

for complete details and a premium quotation request form

(The information contained in this ad in no way alters the terms of the contracts.)

CUNA Insurance Services Department

Box 431, Madison, Wisconsin   Box 800, Hamilton, Ont.

offered down the street by another dealer. I know exactly what another dealer can offer—it's just about what I can offer, and I'm not fooled. And when it comes to the cars they trade in — oh, brother! Talk about lies! "Finest little car I ever owned. Never had any trouble with it. Hate to get rid of it."

Then later they'll tell their friends about the broken-down dog they stuck the dealer with. It doesn't make much difference, because a good salesman isn't fooled here either. He knows the old car and what it's worth. But it's funny about these customers who lie to you about the old car and later brag about gypping the dealer.

Ordinarily nice people turn into crooks when they see a car salesman. I suppose it's a kind of self-defense. Anyway, it's part of the game. Most of the game of buying a new car is agreeing on the trade-in.

Both tricky

So don't think all the tricks are on the side of the salesman. The customer pulls all he knows, too. Sometimes the salesman is actually in the worst spot; he *has* to sell cars to live, but the customer can get along for a long time with the old car.

The good car salesman doesn't lie to people, he just tries to create an illusion. He has to make the customer want to buy a car bad, and buy it right now. If he's a really good salesman he doesn't worry about the minimum figure at which he can sell a car, he starts up as high as he can and keeps the customer up as far as he can. He's not a crook; he's trying to make a profit for his boss and a living for himself.

Hard work

This is hard, tough work. It's no lazy man's job. Actually in a big city, all a salesman has to sell is himself. He has no merchandise to sell; the customer can get the same identical car in a dozen other places in town at the same price. All he has is his ability as a salesman. The difference between a good salesman and a lousy one is that the good one can break down the customer's built-in resistance and his idea that he's going to buy a car pretty soon or next week, and sell him one right now, and at as high a price as possible—and still have the customer think he's made a good deal.

What about these "good deals?" I don't think there are any really good deals. I'm darned sure there aren't any "terrific deals" or "once in a lifetime" deals. The difference between a good deal and a nothing deal, to a customer, is measured in dollar bills and $50 bills; seldom in $100s, and never in $500s.

No matter what a customer believes, the salesman is really working for the customer. He works for three people: the house, himself, and the customer. He really tries to get a good price for the customer, if it means the difference between making a sale and no sale.

He argues

When I say I'm going in to the boss and argue for a lower figure, chances are I'm telling the truth. I've had some dandies with my boss. I've got to get the confidence of the customer. I've got to convince him that I personally am giving him a good deal. It's all I have to work with. The salesmen in all the other places in town are doing the same thing. They can all offer about the same deal. I have to be the best salesman; that's about all there is to it.

Of course if I get a guy who shops only one dealer, maybe I can make out on him. He sees the list price, I come down a little, he thinks he's getting a good deal because he hasn't shopped around and really established what the going price for the car is.

So my advice to the customer is never go to less than three dealers. This way you can get a pretty good idea of what you can get a car for. If you go to one dealer, all you can find out is what he tells you is the low dollar. The figure he gives you might be considerably higher than you'd really have to pay, but how do you tell if you haven't compared?

Shop around

If there's only one Ajax dealer in your town, shop dealers in nearby towns, or go to dealers of other makes. You take the three big makes of cars; a car of one make in one price range and with certain equipment will cost just about the same as a comparable car of another make.

What's the best time of year to buy a new car and get a good deal? Well, I think a hard-nosed customer can get as good a deal one month of the year as another. What about these end-of-the-year clearances when big discounts are offered on this year's cars to clear them out for the new model? Sure, we'll offer a good discount, but you'll find the trade-in on your old car is flat wholesale.

The reason a car is priced so high to start with is that the dealer has to have some "pack" to work on, so he can offer big trade-ins or discounts. It doesn't make any difference to the customer's pocketbook whether he gets a great big trade-in price for his old clunker or a big discount and nothing for the old car. It's all the same thing, but a good salesman can make a customer think he's getting a good deal either way.

And what's wrong with that? Aren't you happier when you think you've made a good deal?

Don't you think you're more likely to come back to me for another car if you think I've given you a good deal? I'll probably be here next year, and I'm darned sure the company will. You don't build a good business by gypping people.

The company I work for is a legitimate business. We try to give a guy the best deal we can, so he's satisfied. If he wants credit and he wants us to handle it for him, we call Bank A, and if the customer's credit is good, he gets the loan. If Bank A isn't interested we call Bank B, who'll maybe handle a loan that Bank A won't. If not, we start on our list of finance companies, starting with the best one and running on down through the less desirable ones. The kind of loan a guy gets is up to him and his credit rating. We do our best to get him a good bank loan.

I'll tell you how a salesman looks at this business. It's hard work. There are very few "kiss me" customers—the ones who listen to our pitch and buy the car. I have to work a long time for a sale most of the time, and I work hard and long for nothing a lot of the time. Every customer thinks he's an expert. Every customer goes away thinking he's made a good deal. It's all part of the game.

Why should you have to play a game to buy a new automobile? Well, a car is an expensive item. Everybody hates to part with all that money. It's up to the customer to get the best deal he can, like advertising for bids on a job. And it's up to me to convince the customer he's got a good deal. If I don't there's another salesman who will.

COMING EVENTS

April 6-9—**Kansas** Credit Union League annual meeting, Towne House Hotel, Kansas City.

April 7-8—**Illinois** Credit Union League annual meeting, Hotel Sherman, Chicago.

April 7-9—**New Jersey** Credit Union League annual meeting, Ambassador Hotel, Atlantic City.

April 7-9—**South Dakota** Credit Union League annual meeting, Sheraton-Johnson Hotel, Rapid City.

April 7-8—**Washington** Credit Union League annual meeting, Olympic Hotel, Seattle.

April 7-8—**West Virginia** Credit Union League, annual meeting Hotel Daniel Boone, Charleston.

April 13-15—**South Carolina** Credit Union League annual meeting, Wade Hampton Hotel, Columbia.

April 13-15—**Virginia** Credit Union League annual meeting, Hotel John Marshall, Richmond.

April 13-16—**Pennsylvania** Credit Union League annual meeting, Penn Sheraton Hotel, Pittsburgh.

April 14-15—**Arkansas** Credit Union League annual meeting, LaFayette Hotel, Little Rock.

April 14-15 — **Georgia** Credit Union League annual meeting, Dinkler-Plaza Hotel, Atlanta.

April 14-15—**Iowa** Credit Union League annual meeting, Savery Hotel, Des Moines.

April 14-15—**Oregon** Credit Union League annual meeting, Eugene Hotel, Eugene.

April 14-16 — **District of Columbia** Credit Union League annual meeting, Statler-Hilton Hotel, Washington.

April 15 — **Vermont** Credit Union League annual meeting, Burlington.

April 20-22—**Nebraska** Credit Union League annual meeting, City Auditorium, Alliance.

April 20-23—**Michigan** Credit Union League annual meeting, Statler-Hilton Hotel, Detroit.

April 20-23—**Ohio** Credit Union League annual meeting; Veterans' Memorial Hall, Deshler-Hilton Hotel, Neil House Hotel; Columbus.

April 21-22—**Colorado** Credit Union League annual meeting, Adams State College, Alamosa.

April 21-22 — **Minnesota** League of Credit Unions annual meeting, Kahler Hotel, Rochester.

April 21-22—**Tennessee** Credit Union League annual meeting, Hotel Patten, Chattanooga.

April 21-23 — **Hawaii** Credit Union League annual meeting, Baldwin High School, Wailuku, Maui.

April 22 — **New Hampshire** Credit Union League annual meeting, Community Club, Berlin.

April 27-29—**Oklahoma** Credit Union League annual meeting, Biltmore Hotel, Oklahoma City.

April 28-29—**Delaware** Credit Union League annual meeting, Cavalier Club, Wilmington.

April 28-29—**Idaho** Credit Union League annual meeting, Shore Lodge, McCall.

April 28-29 — **Massachusetts** CUNA Association annual meeting, New Ocean House, Swampscott.

April 28-29—**North Carolina** Credit Union League annual meeting, George Vanderbilt Hotel, Asheville.

April 28-30—**Louisiana** Credit Union League annual meeting, Buena Vista Hotel and Motel, Biloxi, Mississippi.

April 29 — **Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

May—**Twelfth District** meeting, Montreal, Quebec.

May 4-6—Annual conference and educational sessions, **International Association of Managing Directors,** Alpine Inn, Ste. Adèle, Quebec.

May 7—**I. A. M. D.** business meeting, Alpine Inn, Ste. Adèle, Quebec.

May 7-14—**CUNA and affiliates'** annual meetings, Queen Elizabeth Hotel, Montreal, Quebec.

May 10—9 a.m., **CUNA Mutual board; —CUMIS board;** 8 p.m., **CUNA Supply board.**

May 11—9 a.m., **CUNA executive committee;** 2 p.m., **CUNA Supply membership meeting;** — New **CUNA Supply board.**

May 12—9 a.m., **CUNA board.**

May 13—9 a.m., **CUNA board.**

May 20-21 — **Wyoming** Credit Union League annual meeting, City-County Building, Casper.

May 26—**British Honduras** Credit Union League annual meeting, Belize.

June 1-4—**New York** State Credit Union League annual meeting, Laurels Country Club, Monticello.

June 16-17—**Alabama** Credit Union League annual meeting, Admiral Semmes Hotel, Mobile.

June 16-17—**Montana** Credit Union League annual meeting, Montana Hotel, Anaconda.

June 19-23—**British Columbia** Credit Union League annual meeting, Nelson Civic Centre, Nelson.

June 28—**Prince Edward Island** Credit Union League annual meeting, Community Center, Charlottetown.

September 7-9—**Florida** Credit Union League annual meeting, Deauville Hotel, Miami Beach.